

Message Text

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ACTION EUR-12

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SUBJECT: CONTRACT

REF: STOCKHOLM 0963

1. THE UNIONS AND THE EMPLOYERS REACHED AGREEMENT ON MARCH 11 ON THE MASTER SETTLEMENT UNDER WHICH MOST SWEDISH PRIVATE SECTOR WORKERS WILL BE EMPLOYED UNTIL NOVEMBER 1, 1979. THE AGREEMENT, COVERING OVER 36 PERCENT OF THE ENTIRE LABOR FORCE, IS EXPECTED TO SERVE AS A MODEL FOR UPCOMING PUBLIC SECTOR NEGOTIATIONS AS WELL AS FOR THE FEW ELEMENTS OF THE SWEDISH WORK FORCE NOT COVERED BY COLLECTIVE AGREEMENTS.

2. THE BASIC ELEMENTS OF THE AGREEMENT GENERALLY FOLLOW THOSE EXPECTED BY MOST OBSERVERS (STOCKHOLM 0986). LO'S
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BLUE COLLAR WORKERS WILL RECEIVE A WAGE INCREASE OF 1.9 PERCENT IN 1978 AND A FURTHER INCREASE OF 3.1 PERCENT NEXT YEAR FOR A TOTAL INCREASE OF 5 PERCENT OVER THE LIFE OF THE CONTRACT. PTK'S HIGHER PAID WHITE COLLAR WORKERS WILL RECEIVE AN INCREASE OF 4.2 PERCENT DURING THE SAME PERIOD. GOS ESTIMATES THAT SUCH FACTORS AS THE FIFTH WEEK OF ANNUAL VACATION,

BUILT-IN COST INCREASES FROM PREVIOUS CONTRACTS, WAGE DRIFT, AND OTHER FACTORS WILL INCREASE WAGES BY 9-10 PERCENT IN 1978 EVEN WITH THE SUPERFICIALLY LOW SETTLEMENT AGREED TO ON MARCH 11. THE FINAL STUMBLING BLOCK OF THE LOW-WAGE ADDITION WAS RESOLVED BY USING THE LO FORMULA OF GIVING THE ADDITION TO ALL LOW-WAGE WORKERS IN ALL SECTORS BUT LIMITING THE AMOUNT OF THE ADDITION TO THAT PROPOSED BY SAF.

3. ANOTHER IMPORTANT FACET OF THE AGREEMENT IS THE PROVISION WHICH CALLS FOR A REOPENING OF DISCUSSIONS IF INFLATION AMOUNTS TO MORE THAN 7.25 PERCENT DURING CALENDAR 1978, USING JANUARY 1978 AS A BASELINE. BOTH LABOR AND THE EMPLOYERS STATED THAT THIS PROVISION IS A CHALLENGE TO THE GOVERNMENT. FINANCE MINISTER BOHMAN EXPRESSED CONFIDENCE THAT THE GOS WILL BE ABLE TO MEET THE CHALLENGE ALTHOUGH HE REFUSED TO BE SPECIFIC ON ANY ECONOMIC POLICY CHANGES.

4. COMMENT: ECONOMICALLY THE AGREEMENT IS EXACTLY WHAT GOS, SAF AND LO ECONOMISTS THINK IS NEEDED TO ASSURE THAT THE INCIPIENT REVIVAL OF THE STAGNATING SWEDISH ECONOMY TAKES PLACE ON TIME. INDUSTRIAL PRODUCTIVITY IS EXPECTED TO INCREASE BY 5 PERCENT IN LIMITED OFFICIAL USE

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1978 AND IF INFLATION CAN BE KEPT BELOW 7.25 PERCENT, SWEDEN SHOULD BE ABLE TO REAP ALL OF THE POTENTIAL BENEFITS OF THE 1977 DEVALUATIONS. POLITICALLY, THE SETTLEMENT DEMONSTRATES ONCE MORE THE REMARKABLY COHESIVE NATURE OF SWEDISH SOCIETY. THE UNIONS HAVE ACCEPTED AN AGREEMENT WHICH, AT BEST, WILL DO LITTLE MORE THAN RETAIN THE PURCHASING POWER OF THEIR MEMBERSHIP. FURTHERMORE, THEY DID IT TWO AND A HALF MONTHS EARLIER THAN THE 1977 SETTLEMENT AND ACCEPTED A 21-MONTH CONTRACT RATHER THAN THE 12-MONTH AGREEMENT SIGNED IN 1977. THUS SWEDEN SEEMS ASSURED OF ITS SIXTH-NINTH CONSECUTIVE YEAR OF RELATIVE LABOR PEACE.
PERRY

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